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Mexico Announces Corn Dough (Nixtamal) Subsidy Program

Report Categories:

Agriculture in the Economy

Grain and Feed

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Policy and Program Announcements

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Report Highlights:

On May 11, 2009, Mexico's Secretariat of Economy (SE) announced the operational guidelines establishing the mechanism by which SE will provide economic support to the corn milling (*nixtamal*) industry through the program named PROMASA, during the May 2009 to December 2009 time period.

Executive Summary:

On May 11, 2009, Mexico's Secretariat of Economy (SE) announced the operational guidelines establishing the mechanism by which SE will provide economic support to the corn milling (*nixtamal*) industry through the program named PROMASA, during the May 2009 to December 2009 time period. According to the announcement, the general objective of PROMASA is to

promote national economic development by granting temporary subsidies for projects to maintain production in the industrial corn-milling sector.

General Information:

Introduction: This report summarizes the operational criteria for the Support Program for the Corn Milling (“Nixtamal”) Industry published in Mexico’s *Diario Oficial* (Federal Register) on May 11, 2009.

Disclaimer: This summary is based on a *cursory* review of the subject announcements and therefore should not, under any circumstances, be viewed as a definitive reading of the regulations in question, or of its implications for U.S. agricultural export trade interests. In the event of discrepancies between this summary and the complete regulation or announcement as published in Spanish, the latter shall prevail.

Title of the Announcement: “Agreement that Defines the Criteria for the Operation of the Program to Support the Nixtamal Miller Industry (PROMASA), under the Guidance of the Program for Promoting the Competitiveness of Industries (PROIND)”.

Type of Regulation: Operational

Important Dates:

1. Publication Date: May 11, 2009

2. Effective Date: May 12, 2009

Eligible Commodities: Corn-dough (Nixtamal) to make tortillas

Note: Nixtamal, or hominy, is dried corn kernels which have been treated with an alkali. The traditional U.S. version involves soaking dried corn in lye-water (sodium hydroxide or potassium hydroxide solution), traditionally derived from wood ash, until the hulls are removed. In the case of this announcement, SE describes the nixtamal dough as the product obtained from wet milling of corn kernels consisting primarily of cooking in lime-water (calcium hydroxide) that can be mixed with optional ingredients and additives permitted for tortilla production. In either case, the process is called nixtamalization, and removes the germ and the hard outer hull from the kernels, making them more palatable, easier to digest, and easier to process.

Reason for Program:

According to this announcement, PROMASA is part of the Program for Promoting the Competitiveness of Industries (PROIND), which is an institutional strategy of the Government of Mexico (GOM) to promote the competitiveness of various industrial sectors. Specifically, SE pointed to the following factors in its decision to implement the PROMASA program.

- As a result of the international financial crisis, macroeconomic variables have shown high volatility, affecting the costs of different supply chains, among them the nixtamal-tortilla

chain.

- In order to support the industries that could be affected by the macroeconomic environment and to maintain the production of the corn milling industry, it is necessary to implement programs that foster the viability of this industry;
- The GOM has undertaken various measures to ensure the tortilla supply to the Mexican population. Therefore it is necessary to continue implementing measures that help to maintain this trend;
- The corn milling industry has a significant impact on employment and the production of an important input for the production of a vital commodity for Mexican families;
- PROMASA is part of a strategy designed to boost the competitiveness of the industrial corn miller;

Program Objectives:

According to the announcement the main objectives of the program are to maintain production of the milling industry for the manufacture of corn tortillas, mitigate the impact of increased prices of raw materials, and contribute to the formalization of the nixtamal milling industry.

Program Features:

In order to achieve the general objectives of PROMASA program, SE will provide support to up to 120,000 metric tons (MMT) per month of “nixtamal” dough, divided into two sub-programs:

- 0.50 pesos per kg (U.S. \$0.04/kg) to small nixtamal producers
- 0.60 pesos per kg (U.S.\$0.045/kg) to other nixtamal producers.

The Program will be in place until December 2009, subject to available budget established by the Secretariat of Finance (SHCP). The announcement indicates that SE will release on its website when resources have been exhausted.

The published operational guidelines further state additional aspects of the program such as eligibility criteria and the requirements for intermediate producers. In addition, it states the application requirements, support amounts, categories and subcategories of supports, the approval process of applications, performance indicators, and the delivery of monetary resources.

The “target population” of this Program is defined as individuals with business or corporate entities from the nixtamal milling industry, business organizations, business groups, cooperative societies, integrators, non-profit industrial corn millers and civil associations; and public, mixed or private non-profit bodies whose goals are the development of industrial corn miller.

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FAS Mexico Web Site: We are available at <http://www.mexico-usda.com> or visit the FAS home page at <http://www.fas.usda.gov> for a complete selection of FAS' worldwide agricultural reporting.

Useful Mexican Web Sites:

Mexico's equivalent of the Department of Agriculture (SAGARPA) can be found at www.sagarpa.gob.mx and Mexico's equivalent of the Department of Commerce (SE) can be found at www.se.gob.mx. These web sites are mentioned for the readers' convenience but USDA does NOT in any way endorse, guarantee the accuracy of, or necessarily concur with, the information contained on the mentioned sites.